

# Success and succession

## Event Summary

### Summary:

- Paul Musson has led the Ivy team for the last 13 years: in this webcast, we learn about his retirement plans and how Matt Moody will take charge.
- During this uncertain economic climate, why is this the best time for Ivy?

### Ivy transition plans:

- Paul Musson announced his retirement and the transition of the team lead to Matt Moody.
- **Retirement plans**
  - o Matt will become the lead on September 1, but Paul will still be with the team for six months (until March 31, 2023) and then act as a consultant for three years afterwards.
  - o Why now? Paul is at the phase in his succession plan where it is time for Matt to take over.
  - o Matt has demonstrated great leadership and is well respected by both the sales and Ivy team, having been an essential part of Ivy for many years.
- What isn't changing
  - o With Matt's leadership Ivy will remain focused on the ownership of high-quality global leaders purchased at reasonable prices and held for the long-term
  - o Ivy's role as a foundational core holding that performs among the best in the industry during down markets and delivers index and peer group beating results over the long-term with lower volatility

### Ivy's culture:

- **Competitive advantages:** we don't think we're smarter than other teams, but the one thing we focus on is our intellectual honesty, how we conduct ourselves, how we look at companies and challenge each other.
- Ivy has two primary objectives:
  - o To outperform the benchmark over a full market cycle, in bear and bull markets.
  - o To help our clients achieve superior outcomes.
- Top stock stories:
  - o Johnson & Johnson: An active, resilient and attractive industry. Conservatively financed, with a long-term mindset. The Johnson & Johnson credo includes values that guide decision making.
  - o Danaher: A long standing investment. What's important is how the company operates and what it acquires. No other company in its sector has been able to copy its success.
  - o Compass: The company serves food and runs cafeterias, supported by a culture that is fantastic at doing many things that other companies can't replicate. What's important is how they emerged from the pandemic: they came out stronger, as they are generating new interest in businesses.

### Uncertainty:

- Ivy has historically delivered better returns than its respective index over time.
  - o Over a time period of seven to 10 years, it has overperformed by over 66%.

- The longer the time horizon, the more likely it will include a downturn. Therefore, seven to 10 years are more likely to capture a downturn, which illustrates our downside protection and how we consistently overperform over time.
- During unprecedented times, one of our biggest focuses is on companies: businesses that are more adaptable and flexible during different market environments. The emphasis is on lower economic sensitivity and how well these companies manage shocks.
- High quality companies: multiples keep expanding year-over-year. Due to our valuations, we didn't own much or pushed down due to high multiples (these companies have been hit hard). They were expensive but are now getting much more interesting. We made some moves in the portfolio, adding more high-quality businesses that have better long-term potential.
- More economically sensitive businesses: with possibilities of an upcoming recession, a lot of companies have declined with expectations that they might get hit. There are a lot of high-quality businesses that operate well during recessions. We typically try to consider the effects of a potential recession when valuing companies and before investing in them.
- Additionally, we look at broad sectors and industries all over the world.

## Q&A:

- Ivy's been known to increase cash value: what is cash at now and are you considering any opportunities?
  - Ivy's cash is currently at 15%, which is down considerably compared to pre-COVID-19. During COVID-19 lockdowns, when businesses were attractive, our cash went down from 30% to 10% and now it's back to 15%. During the great financial crisis, we were around 15%. We are now at a level where Ivy has typically been, historically.
  - Cash reflects prices. When cash was high, pre-COVID-19, stocks were expensive and we thought that could mean a higher downside for clients if we bought stocks then. During uncertainty, when markets are down, this becomes more interesting for us as businesses are undervalued, with the potential to give our clients the biggest gains.
- Biggest things Paul Musson has learned:
  - Defending one's reputation can often become a question of common sense. You really need to try and avoid convincing yourself that you're smart enough to know what the future holds. If you stay focused on fundamentals and valuations, then this is the best way to control risk and get clients to their destination.

## Conclusion:

- Ivy is committed to a smooth transition to Matt Moody's leadership. Paul will help ensure this happens, and the principles that have brought Ivy so much success will remain the same.



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